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DECISION



**THE COMPTROLLER GENERAL
OF THE UNITED STATES**
WASHINGTON, D. C. 20548

FILE: B-189930

DATE: OCT 3 1977

MATTER OF: Grand Travel, Inc.

DIGEST:

Official Government passenger travel is procured directly from air carriers and travel agents are not used because (1) direct procurement is more efficient and economical; (2) reservations, cancellations or changes in travel schedules are more readily effected with less errors; (3) the statutory audit and settlement of carrier accounts is better facilitated and overcharges more quickly recovered.

In letter of August 16, 1977, Grand Travel, Inc., requests authorization to accept Government transportation requests and to issue tickets for the air transportation of military recruits traveling from Billings, Montana, to Butte, Montana, and Salt Lake City, Utah.

The corporation advises that the cost to the traveler is the same whether the tickets are purchased directly from the air carriers or through a travel agency. The corporation also advises that the airlines pay small commissions on travel purchased through a travel agency.

Initially, we point out that travel agents are the agents of the airlines. The airlines believe that these designated travel agents should concentrate their efforts on the promotion and development of discretionary travel rather than to the issuance of tickets to persons who would travel regardless of whether they dealt with the travel agents or with the air carriers.

The airlines pay commissions pursuant to sales agency agreements which are filed with the Civil Aeronautics Board. Since 1940, however, the principal-agency agreements between the airlines and their designated travel agents have specifically provided that commissions will not be paid on official Government passenger travel.

The airlines thus have determined to serve the Government directly and to reduce their cost by not paying commissions to their travel agents on Government travel. It is the airlines'

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view that the payment of commissions on official travel would increase their operating costs which would require an increase in air fares. The net result would be that the Government, as well as the rest of the traveling public, would be required to pay higher fares--not for better air services, but solely to compensate for the additional costs resulting from the payment of commissions on official Government passenger travel.

Under airlines' agreements with the Government, traffic offices have been established at over 105 of the larger Government installations. These ticket offices are stocked with supplies and staffed with personnel by the airlines without cost to the Government. Teleticket machines are used to issue tickets directly within many other Government agencies. Airline tickets also are furnished by mail and by pickup at will call desks located at airport terminals.

Since all flight reservations must be made and confirmed with the airlines, any cancellations or changes in flight plan, which frequently occur, can be effected more readily and with less likelihood of error by dealing directly with the carriers. Arrangements also can be made for the transportation of footlockers, impedimenta and other freight which frequently accompanies official Government travelers. In addition, certain lower air fares are available only if the Government purchases the air travel directly from the air carrier.

Changes and modification in travel arrangements generally result in adjustment in the total charges payable by the Government. Section 322 of the Transportation Act of 1940, as amended, 49 U.S.C. 66, provides that payment for transportation of persons or property for or on the behalf of the United States by any carrier or forwarder shall be made upon presentation of bills therefor, prior to audit and settlement of carriers' billing, but the right is expressly reserved to the United States Government to deduct the amount of any overcharge by any carrier or forwarder from any amount subsequently found to be due such carrier or forwarder.

To implement the above statutory provisions and to enable the performance of the duties imposed on the General Accounting Office by the Budget and Accounting Act, 31 U.S.C. 49 and 66,

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regulations have been promulgated setting forth the principles, standards and related requirements for administrative appropriation and fund accounting in the several Government departments and establishments. The pertinent provisions relating to travel agents are published in section 52.3 of Title 4 of the Code of Federal Regulations.

Section 52.3 provides that passenger transportation services shall be procured directly from the carriers and that travel agencies shall not be used except where American carriers are not available for travel within foreign countries, between foreign countries or from foreign countries to the United States and its possessions. The primary purpose of the exception is to enable Government personnel to obtain transportation in those foreign areas in which the local carrier refuse to honor Government Transportation Requests.

The Government has long followed a policy of doing business directly with the carriers because we believe that direct procurement is more efficient and economical than if travel agents were introduced into the acquisition of the transportation services. Since the air carriers do not pay commissions on official Government travel, and since the Government pays no more than the published air fares, there is no source of compensation to the travel agents on official Government travel. We do not believe, therefore, that as a practical matter of economics that a travel agent could satisfactorily furnish services for the United States.

The foregoing policy does not, of course, prevent the use of travel agencies by Government employees to purchase transportation, or any other services, necessary for the personal travel of themselves or their families.

R. F. KELLER

Acting Comptroller General
of the United States